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Message Text

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11
ORIGIN EUR-12

INFO OCT-01 AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-06

FRB-03 INR-07 IO-10 NEA-10 NSAE-00 OPIC-03 SP-02

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INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY DUBLIN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EGEN, EEC, CA

SUBJECT: CANADIAN CONTRACTUAL LINK WITH EC

1. DURING FAREWELL CALL JUNE 9 ON ASSISTANT SECRETARY
HARTMAN, CANADIAN AMBASSADOR CADIEUX MADE LENGTHY APPEAL FOR
US UNDERSTANDING AND SUPPORT OF CANADIAN CONTRACTUAL
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ARRANGEMENT WITH EC. CADIEUX SAID COUNCIL COULD CONSIDER
COMMISSION RECOMMENDATION FOR AGREEMENT THIS MONTH, BUT
CANADIANS DO NOT EXPECT DECISION UNTIL PERHAPS SEPTEMBER.
COUNCIL DECISION WOULD DIRECT COMMISSION TO NEGOTIATE TERMS

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OF AGREEMENT WHICH CANADIANS HOPE CAN BE COMPLETED BEFORE YEAR END.

2. CADIEUX EXPLAINED THAT AGREMENT WOULD HAVE THREE PARTS:

--TRADE ARRANGEMENTS BASED ON AND NOT GOING BEYOND MFN TREATMENT

--A "SOLEMN UNDERTAKING" TO MOVE AHEAD IN INDUSTRIAL AND ECONOMIC COOPERATION WHICH WILL BE A "HUNTING LICENSE" FOR SPECIFIC JOINT INVESTMENT PROJECTS WITH MEMBER COUNTRIES.

--PROVISIONS TO FORMALIZE CANADIAN-EC SEMI-ANNUAL CONSULTATIONS AND PROVIDE FOR AD HOC CONSULTATIONS ON IMPORTANT ISSUES.

3. CADIEUX SAID AGREEMENT WAS NECESSARY TO STIMULATE MORE AGGRESSIVE ATTITUDES BY CANADIAN BUSINESS TO EC MARKET AND TO ENCOURAGE TRANS-ATLANTIC JOINT VENTURES WHICH WERE BEST MECHANISM (A) TO EXPAND CANADIAN EXPORTS TO EUROPE, AND (B) TO ENLARGE IN-COUNTRY PROCESSING COMPONENT OF CANADIAN EXPORTS. CANADA WAS AT COMPARATIVE TRADE DISADVANTAGE AS IT DID NOT HAVE LARGE MULTINATIONALS LIKE US WHICH HAD ENABLED US TO PENETRATE COMMON MARKET.

4. CADIEUX STRESSED THREE CONSEQUENCES OF AGREEMENT HE THOUGHT WOULD BE OF INTEREST TO USG:

--AGREEMENT WOULD REPRESENT EXTENSION OF EC ACTIVITIES INTO NEW AREA WHICH WOULD MEAN STRENGTHENING OF COMMISSION AUTHORITY.

--DIVERSIFICATION OF CANADIAN EXPORTS WOULD HELP ENHANCE MORE RELAXED ATTITUDE IN ITS RELATIONS WITH US.

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--EXPANSION OF ECONOMIC AND INDUSTRIAL COOPERATION WITH WESTERN EUROPE WOULD REINFORCE CANADA'S TIES WITH NATO. THE TWO ISSUES, CADIEUX NOTED, ARE CLOSELY LINKED BY PM TRUDEAU.

5. CADIEUX ASKED THAT US VIEW CONTRACTUAL LINK WITH UNDERSTANDING AND SYMPATHY AND GIVE IT A "FAVORABLE WIND" AND EXPRESS SUPPORT FOR CANADIAN POSITION IF, FOR EXAMPLE, COUNCIL SHOULD SEEK US VIEWS.
6. HARTMAN NOTED THAT US DID UNDERSTAND AND SYMPATHIZE WITH POLITICAL REASONS WHY CANADA SOUGHT AGREEMENT WITH EC BUT COULD NOT EXPRESS A VIEW UNTIL WE HAVE ACTUALLY

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SEEN TERMS OF PROPOSED AGREEMENT. HE RECALLED WE HAD EX-
PRESSED CONCERN IN PAST WITH REGARD TO BILATERAL
ARRANGEMENTS DUPLICATING GATT. HE POINTED OUT KINDS OF
PROBLEMS CAUSED BECAUSE EC SPECIAL AGREEMENTS LIMIT
ITS MTN NEGOTIATING FLEXIBILITY. HARTMAN RAISED QUESTION
WHETHER CANADIAN AGREEMENT MIGHT SERVE AS PRECEDENT FOR
SIMILAR EC ARRANGEMENTS WITH OTHER INDUSTRIAL STATES--E.G.,
AUSTRALIA, JAPAN--AND NOTED THAT IF CANADIAN EXPERIENCE
WERE TO ENCOURAGE COMMUNITY TO MOVE TOWARD SPECIAL SECTORAL
AGREEMENTS, THIS COULD COMPLICATE MTN AND CAUSE US PROBLEMS.

7. HARTMAN SAID US DID NOT LIKE TO GET CAUGHT IN THE

MIDDLE IN THIS KIND OF SITUATION, FOR SOME EUROPEANS HAD
IN PAST USED REAL OR SUPPOSED US OBJECTIONS TO COVER THEIR
OWN OBJECTIONS. IT WAS SUGGESTED THAT CANADIANS GIVE US
COPY OF PROPOSED EC AGREEMENT FOR COMMENT ONCE TERMS HAD
BEEN MORE CLEARLY DEFINED. THIS WOULD ENABLE US TO MAKE
OUR VIEWS KNOWN TO ALL CONCERNED. HARTMAN ASSURED CADIEUX
WE WOULD LOOK AT AGREEMENT WITH SYMPATHY AND UNDERSTANDING.

8. CADIEUX SAID GOC WISHED TO KEEP US INFORMED OF
DEVELOPMENTS AT EVERY STAGE AND PROMISED TO STAY IN TOUCH.
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LUXEMBOURG
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THE HAGUE
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